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New Jersey Casino Control Commission

Casino Control Commission 1985

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The Annual Report of the New Jersey Casino Control Commission is submitted to the Governor and to the members of the New Jersey Legislature.

Governor Thomas H. Kean

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CHAIRMAN'S REPORT

The past year was, in retrospect, a year of transition for the Casino Control Commission.

Behind us are the days of hectic building with their attendant spiralling costs and profits. Instead the emphasis shifted from casino development to interpreting and refining the Casino Control Act and enforcing the Commission rules and regulations.

Behind us, too, is the prime responsibility for the development of Atlantic City with that authority now resting with the newly created Casino Reinvestment Development Authority.

The shift in emphasis was not total, of course. The year was marked by the opening of the 11th casino in mid-June and the Commission members and staff continued to provide aid and assistance to the CRDA from the time it was organized in late June.

Nor is the shift in emphasis likely to be total in the future. There are at least two new casinos under active construction although the projected openings are still expected to be next year. And the Commission is committed to a program of assisting the CRDA in the revitalizing and rebuilding of Atlantic City.

But with our burden of new openings and the rehabilitation of Atlantic City eased, the Commission undertook to refine and stengthen the rules and regulations which are vital to a strong industry and for the protection of the state's interest as well as the gaming public.

Like the court system, the Commission feels that its rules gain respect and compliance when it rules with consistency and fairness. Haphazard determinations in any case lead to a dilution of the strength and respect which any governing body needs to function at its best in today's litigious society.

The decision in the license application of the Hilton Corporation for permission to operate a casino in the Marina section of Atlantic City was a prime example of the Commission's emphasizing that it intends to continue to require strict compliance with the Casino Control Act.

The Act requires an affirmative act by an applicant to demonstrate clearly and convincingly its fitness to hold a license in this jurisdiction. It was the decision of the Commission that Hilton had failed to answer satisfactorily some questions of alleged improprieties in another state. Coupled with questions of the worthiness of some Hilton gaming executives, the Commission refused to grant a license to the hotel chain.

It was a reaffirmation that the Commission intends to continue to examine the background of every applicant just as rigorously as it did in the early days of gaming in New Jersey.

Simultaneously with the Hilton decision the Commission conducted lengthy hearings into the relicensing of Resorts International. After 12 days of public hearings which attracted national attention the Commission decided by a one vote margin to issue a one year renewal to Resorts.

Again, the case demonstrated the Commission's determination to examine every facet of a company and all its subsidiaries and personnel before permitting the company to continue to conduct business in this state. The issue turned on the Commission's ability to require the licensee to supply a satisfactory answer to allegations of misconduct in the Bahamas.

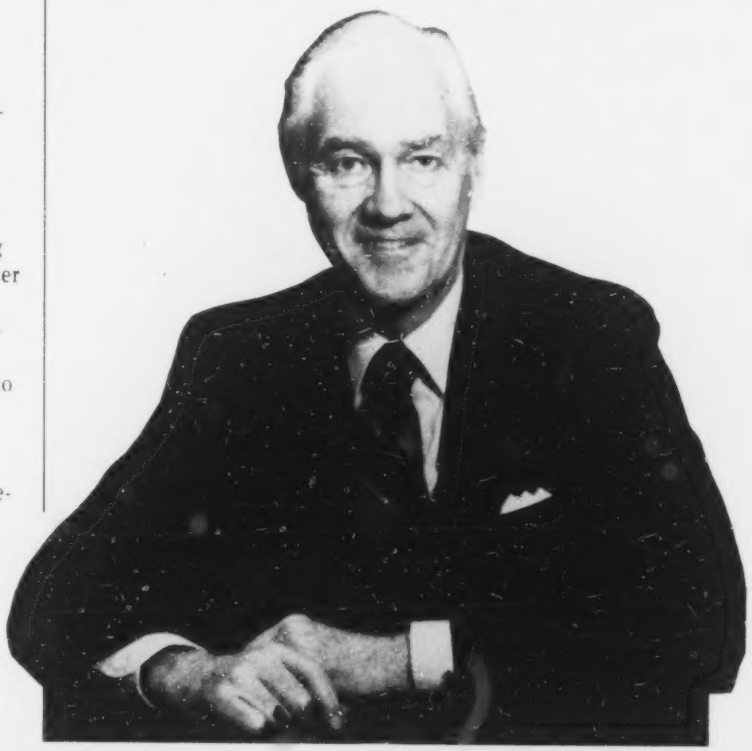
In requiring both Hilton and Resorts to provide every shred of evidence, the Commission upheld the principles set down in the first Resorts decision by the Lordi Commission in its earliest days.

In the same vein, the Commission brought two long standing cases to conclusions and in the process set an historic "first" when it ordered Caesars closed for a day because of its infractions of the Commission regulations and because of several violations of the Casino Control Act in the company's handling of the Brian Molony case.

The casino admitted improper financial transactions in its handling of Molony, a Canadian banker since convicted and sentenced to prison. As a result of those actions, the Commission ordered the casino closed on a Saturday in late November.

The Commission also brought the long pending Caltagirone case to a conclusion. Ten officers and employees of Caesars were fined a total of $31,500 for their part in violating a number of Commission regulations in the manner in which they handled Gaetano Caltagirone, an international high roller who visited the casino in 1981. The casino itself was fined $257,000 two years ago in the same case.

In both cases it was the intent of the Commission to remind the industry that neither the corporate licensee nor any of its employees can



indiscriminately violate the rules and regulations at the whim of a patron or in the search for a better bottom line figure.

While the Commission has come down hard in some cases, it has insisted upon due process of law. In a celebrated case involving two alleged members of organized crime, the Commission refused to place them on the so-called exclusion list, citing a lack of sufficient evidence in the presentation of the case. Simply producing some newspaper clippings without hard evidence is insufficient, the Commission ruled.

While the reluctance to place the names of some alleged members of organized crime on an exclusion list has been criticized in the media and by the public, it is the belief of the Commission members that some stronger showing of evidence must be presented before a patron is barred from the casino.

All the Commission's activity has not been on the law enforcement side. The Commission also recognized the social aspects of gaming and moved to tighten credit regulations. Still other changes in the credit regulations will be put in operation in early 1986 in an effort to ensure that credit will only be granted to patrons under the most business-like circumstances. The new regulations are designed to curtail the number of compulsive gambling cases which plague the industry.

Other issues continue to require Commission attention. As the year closed, the Commission, like the rest of the gaming community, was concerned about the viability of Elsinore's Atlantis Casino. The inability of the casino to meet its reinvestment obligations to the CRDA combined with its inability to pay taxes or interest on outstanding bond obligations raise questions about its licensability during the coming year.

In an effort to assist the casino and to keep abreast of developments, the Commission has monitored the Atlantis on a daily basis throughout the last month of the year.

Land speculation practices in Atlantic City also became an issue during the year with the New Jersey Senate conducting public hearings in Atlantic City during the summer. Charges surfaced that land speculation practices, particularly on the part of at least one casino have driven land prices so high that commercial and industrial development is beyond the means of most private developers.

As the year ended the Commission was still awaiting some specific legislative direction on how to cope with the question. The Commission also adopted new rules which require each casino to inform the Commission staff of any acquisitions or change in usage of property purchased in Atlantic City.

There were many bright spots during the year, some of a professional nature and others of a more personal nature.

The sale of the Hilton property to Donald Trump and its opening as Trump's Castle and the emerging strength of the CRDA are two of the best things that happened in Atlantic City.

After Hilton was denied a license, there was growing speculation that the gaming market in New Jersey would wither because of the Commission's tough stance on licensing. Instead Trump purchased the property, opened it within six weeks and had a highly successful season.

The continuing construction of two other casinos also seemed to indicate that strict regulations are not a barrier to the successful growth of the industry in this state.

The CRDA promises to develop into one of the bright spots in Atlantic City's future. As the year ended, the CRDA was preparing to hire an executive director and was ready to adopt the rules and regulations necessary to begin the redevelopment of Atlantic City. As has been noted by others, the cooperation between the CRDA and the various city and county organizations augurs well for the future of the city.

The Commission moved for the first time to establish an office of Affirmative Action within the Commission and named Inez Killian to fill a role which will ensure that the Commission continues to seek out and hire adequate numbers of women and minorities. Establishment of the office fulfills a long overdue commitment to set an example for the standards of compliance that we expect of the industry.

As the year drew to a close it became apparent that other states were considering casino gaming as a means of revitalizing their financial and social structures. The impact of gambling in other parts of the country is, of course, purely speculative at this juncture but the issue raises questions which we must face as we head toward 1990.

From a practical point, it is becoming imperative that we extend as much help as possible to the city and the region to enable it to build a base with which to compete as other states legalize casino gambling.

From an enforcement standpoint, I believe that the actions we took this year will help us in the years ahead. Simply stated, we must insist upon the same rigid compliance with both the Casino Control Act and the rules and regulations in the future as we do now. Because another state or jurisdiction permits gaming shouldn't cause New Jersey to lower its standards when it comes to licensure or compliance with the law.

Having said that, I think the Commission and the industry in the coming year should strive to find ways to permit the operators more latitude. Just as there was a shift in emphasis in 1985, there should be a move during 1986 to help both the city and the industry achieve some of the goals which were set for casino gambling when the voters approved the concept back in November, 1976.

In the time which has passed since that day, we have seen a fledgling industry take root. Now it is time to nurture that industry through its adolescence to meet the competition that seems certain to come sometime in the immediate years ahead.

LEGAL DIVISION

This year has been a very active year for the Legal Division under Director Robert J. Genatt and Deputy Director Thomas N. Auriemma.

In 1984, the Commission with the assistance of Senior Assistant Counsel Patricia Kerins had begun a lengthy casino license hearing on the application of Hilton New Jersey, Inc. for a casino license. A statement of compliance necessary for Hilton of New Jersey, Inc. to obtain a casino license was denied by the Commission on February 28, 1985. Subsequently, a petition for rehearing in this matter was granted but the rehearing was never held since the proposed casino hotel facility was sold to Donald Trump.

As a result, an eleventh casino hotel, Trump's Castle, began operations in June, but prior to opening, a significant number of legal issues had to be resolved since this facility was previously owned by another applicant for a New Jersey casino.

With the assistance of Senior Assistant Counsel E. Dennis Kell, the Legal Division was also actively involved in the renewal of the casino licenses for the ten operating casinos.

Litigation kept the Legal Division busy during the past calendar year. The New Jersey Superior Court, Appellate Division, affirmed the Commission's 1982 decision that Frank Gerace, Frank Materio, and Karlos LaSane of Local 54 of the Hotel and Restaurant Employees and Bartenders International Union were disqualified and the New Jersey Supreme Court later declined to review the case. Senior Assistant Counsel John R. Zimmerman argued the case for the Commission. In 1985, the Legal Division successfully defended in the Appellate Division the Commission's 1984 determination which had denied the application of Resorts International Hotel, Inc. for an investment tax credit for the 1979 calendar year.

The Casino Control Act reveals a legislative design for the Commission and the Division of Gaming Enforcement to be financed exclusively from license fees that are imposed upon casino hotels and other persons and entities. In the case of Atlantic City Casino Hotel Association v. Casino Control Commission, the courts of this state upheld this principle and noted that licensees and license applicants who require and benefit from the regulatory process must bear the accompanying financial burden.

In another casino license matter of some note, the Commission renewed by a vote of 3 to 1 the casino license of Resorts International Hotel, Inc. For the first time, the Division of Gaming Enforcement has challenged in the Appellate Division the Commission's decision to grant a casino license. It is anticipated that a court determination will be rendered sometime during 1986.

The Casino Control Act requires the Commission to maintain a list of undesirable persons who are to be excluded or ejected from licensed casino establishments in Atlantic City. By December, 1985 the Commission assisted by Senior Assistant Counsel Dennis Daly had placed 116 individuals on the exclusion list. Indeed, 1985 saw protracted proceedings involving the placement on the list of several individuals who have filed a notice of appeal with the Appellate Division. A review of this matter will be the first time that a New Jersey court has examined the exclusion list provisions of the Casino Control Act.

To assure that public confidence in casino gaming is maintained, the Commission has the power to levy and collect civil penalties, to suspend licenses, and to revoke licenses for violations of the provisions of the Casino Control Act or of the Commission's regulations. In 1985, there were several significant violation matters heard by the Commission. The Commission ordered, for example, that Caesars Boardwalk Regency Casino Hotel be closed for one gaming day because of credit infractions. This closing of a casino represented the most drastic penalty ever imposed in this state for violations of either the Act or regulations. Additionally, the Commission assessed a civil penalty of $60,000 on the Caesars Boardwalk Regency Casino Hotel for conducting an improper slot promotion.

The year 1985 also saw the Commission's first major revisions of the regulations which govern casino credit. The culmination of several years of work resulted in the Commission adopting new credit regulations designed to tighten the issuance of credit to individual gaming patrons, permit the regulatory agencies to monitor more closely the credit decision being made by casino hotels, and assure that the casino hotels were not falling prey to any illicit credit schemes. These new regulations, although adopted in calendar year 1985, become operative on March 1, 1986.

The Legal Division through David C. Missimer, Senior Assistant Counsel assisted the Commission in drafting legislative proposals with respect to credit. For example, it was requested that the bad debt exemption now permitted be eliminated while the time periods for depositing certain patron checks be reduced. These suggestions have not yet been enacted into law.

Two bills became law during 1985. One permits casinos to offer to patrons another authorized game, mini-baccarat. In addition, this bill also allows merchandise to be offered as prizes to slot machine patrons. The second bill permits casinos to accept checks from other New Jersey

casinos under certain specific circumstances.

For the first time in the history of New Jersey casino gaming a casino licensee filed for bankruptcy protection pursuant to the federal Bankruptcy Code. The Atlantis Casino Hotel sought the benefit of the bankruptcy laws in order to be able to devise a plan of reorganization which would restore it to financial health. The Commission and Division of Gaming Enforcement are monitoring this particular matter on a daily basis and it is anticipated that 1986 will see this bankruptcy proceeding come to a conclusion.

There have been a number of individuals and companies which have failed to pay the Commission license fees. The Casino Control Act provides that the Commission has a responsibility to collect all license fees, and it also empowers the Commission to bring a civil action to collect delinquent accounts. Over the years, the Legal Divison has instituted numerous lawsuits and expended great effort in attempting to collect these delinquent fees. The Legal Division has been quite successful in its collection efforts. Indeed, the number of lawsuits instituted has declined dramatically. It is anticipated that the number will decline further in future years.

ADMINISTRATION DIVISION

Handling of personnel, budget and fiscal matters, data processing and Commission meetings are the responsibility of the Administration Division under Director Theron (Terry) Schmidt and Deputy Director James Fiandaca.

The budget and fiscal operation, under Joseph Papp, is responsible for preparation of the Commission budget and for the drafting of the Commission's strategic planning documents.

The budget for Fiscal Year 1986 was approved by the Legislaure at $19.4 million. In addition, the Budget and Fiscal Office is responsible for all financial reporting, purchases and payments to vendors and for providing all services necessary for the operation of the Commission.

During 1985 the Budget and Fiscal office processed more than 8,100 financial documents, a 19 percent increase over the previous year. The office was able to handle this increase without added personnel through the increased use of computers.

Fiscal Year 1985 also saw the Budget and Fiscal Office's participation in a Department of Commerce and Economic Developement program which requires all state agencies to set aside a portion of their contracts for qualified New Jersey small businesses in order to stimulate economic develpoment. The Budget and Fiscal Office issued more than 10% of its contracts to qualified vendors in Fiscal Year 1985 and plans to expand during Fiscal Year 1986 to include qualified minority and female owned business operations within the state as well.

The Personnel office under the direction of David Hopkins is responsible for developing and maintaining the personnel programs for the 462 full time Commission employees as well as conducting studies concerning staffing needs and recruiting new employees.

The office prepares all the regular and supplemental payrolls for the $12.3 million payroll and also maintains the benefits program.

The Personnel office has recently begun implementing the new Performance Appraisal Review (PAR) work performance program. Additionally, the office is coordinating the Commission's implementation of the program, Affirmative Action: The Next Phase.

In continuing to develop its computer capabilities the Personnel office is scheduled to be linked to the Civil Service Personnel Management and Improvement System. The PMIS system will allow many personnel actions to be processed via the computer rather than through "hard copy" and will drastically reduce the approval process time frame.

The office of Data Processing and Systems Development under Julian Grauer provides technical consultation and works with Commission staff in developing the data processing resources necessary to meet the demand for timely and accurate information.

During this past year the focus of development efforts have shifted away from large computer information systems while more attention has been devoted to microcomputers. Many professional staff now have access to the spread sheet and data base programs that are considered essential to modern business practices. Also, Commission staff have been successful in linking microcomputers to large information systems and as a result, access to the data stored on the large systems has been significantly improved.

For the future it is expected that microcomputers will continue to play an important role for the Commission by providing powerful but inexpensive data processing resources.

The Commission Meeting Section handled 96 open public meetings, license hearings and special meetings. Documents covered by the Freedom of Information Act, including meetings and hearing transcripts as well as copies of adopted or proposed regulations are made available to the public for purchase.

LICENSE DIVISION

The License Division is comprised of the Director's Office, the Enterprise License Bureau, the Employee License Bureau and the Document Control Unit under the direction of Director Christopher D. Storcella and Deputy Director Richard P. Franz.

Opening of Atlantic City's eleventh casino hotel in 1985 kept the staff of the Employee License Bureau occupied. As a result of the opening, the number of casino hotel industry jobs rose to more than 40,000. The licensing of these 40,000 employees is handled by the Employee License Bureau under the direction of John I. Bowman. The Bureau is designed to monitor casino employment to determine if employee license and registration requirements of the Casino Control Act are being met.

This Bureau has also been involved in the preparation of proposed regulations pertaining to job compendiums and the renewal of employee licenses. Additional proposed regulations which the staff is developing address the analysis of the business ability and casino experience of applicants for employee licenses with respect to the appropriate license endorsement.

During 1985, the Employee License Bureau further expanded the utilization of computer equipment in all facets of operations. This has resulted in license applications being processed more quickly. Bureau staff utilizes systems which track the status of license applications and, in the case of applicants for junket representative licenses, these systems are used to project the issuance and expiration dates for temporary licenses. The Bureau has been able to monitor more effectively individuals restricted from licensing or employment through the use of data processing equipment.

With the implementation of the Enterprise License Bureau's data processing system, the staff of the Employee License Bureau is now capable of cross-referencing employee applications with enterprises doing business with the casino industry. This has assisted in screening and processing employee license applications.

The primary responsibility of the Enterprise License Bureau under William J.Hoffman is to monitor business relationships between casino licensees and the approximately 13,000 enterprises with which they transact business. This responsibility is met through the Bureau's review of casino licensees' administrative procedures regarding vendor registration, purchasing and disbursing functions and the analysis of payments by casino licensees to enterprises.

Based upon the analysis of these business relationships, the Bureau is able to identify enterprises which are subject to licensure under the Casino Control Act. These include enterprises which manufacture, distribute and service gaming equipment, enterprises which provide non-gaming related goods or services to casino licensees, and gaming schools. In addition, the Bureau processes applications from enterprises seeking the Commission's approval to begin transacting junket related business through the temporary and plenary licensing procedures. In 1985, the Commission granted 31 plenary junket enterprise licenses.

During 1985, the Bureau saw the near completion of its on-line data processing system. All of the Bureau's data input and most of its inquiry screens are now operational. Already the Enterprise License Bureau has noted a significant increase in its ability to identify quickly the status of enterprises and their qualifiers. This ability to access information has been of Commission-wide benefit and upon completion of the final report design phase, the Bureau's system will be of even greater value to the Commission.

Additionally, the Bureau completed its first cycle of comprehensive on-site compliance reviews of casino licensees' purchasing and disbursing procedures. One benefit arising from these compliance reviews was the elimination of some of the paperwork casino licensees were formerly required to file.

In 1985, the Commission adopted a more extensive vendor registration form. This form requires casino licensees to provide to the Commission and the Division of Gaming Enforcement more information about enterprises than previously required. By having this additional information provided on behalf of vendor registrants, the Division of Gaming Enforcement's investigations into the suitability of these vendor agreements and the qualifications of the enterprises is less time consuming. The Enterprise License Bureau processed in excess of 3,000 new and updated vendor registration forms during the 1985 calendar year.

Finally, the Enterprise License Bureau was instrumental in the Commission's adoption of the revised travel industry exemption policy effective January 1, 1985. This policy identifies parameters to be considered by the Commission in exempting travel industry members from casino service industry licensing. Also, this comprehensive policy sets forth guidelines to be used by casino licensees to determine under what circumstances they are not required to file vendor registration forms on behalf of travel industry enterprises. The effect of this policy is to grant a limited and conditional field of commerce exemption to hundreds of travel industry members.

The Document Control Unit headed by Stephen H. Crist has continued the computerization that was begun in 1984 and has developed and implemented a computer program to facilitate the Commission-wide distribution of the 1,146 petitions received in 1985. In addition to the time and labor-saving features of such a system, it provides a computerized file and data base of all submitted petitions.

The Document Control Unit is the Casino Control Commission's repository for the 165,202 employee license files, 36 casino hotel corporate filings and 18,500 casino service industry files. Additionally, 1,098 casino hotel employee registration petitions and 1,352 casino hotel file updates were received and distributed during 1985. This reflects a 13 percent increase for casino hotel employee registration petitions and an 11 percent increase of updates for corporate submissions above 1984.

Further expansion of the unit's data processing capacity is anticipated in 1986 to include the categorization and cataloguing of all other documents and submissions received by the Document Control Unit.

The Alcoholic Beverage Unit and the Facilities Review Section function within the Director's Office of the License Division. The Alcoholic Beverage Unit was responsible for the issuance of two new casino hotel alcoholic beverage control licenses and the renewal of 13 casino hotel alcoholic beverage control licenses.

The Facilities Review Section handled 20 formal petitions for Commission consideration, including the approval of four major expansion and renovation projects (Bally, Harrah's Marina, Golden Nugget and Claridge), final approval of the Trump's Castle Hotel Casino opening and the issuance of statements of compliance and a reservation of a casino license to Atlantic City Showboat. Additionally, 10 casino license renewal reports were prepared and 75 facility modifications were approved.

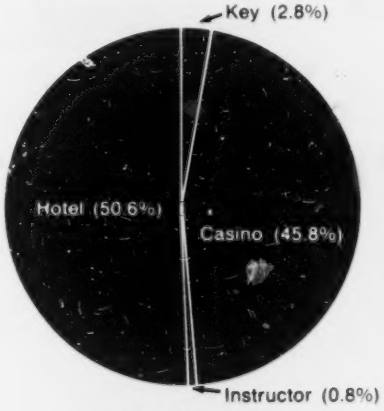
DIVISION OF FINANCIAL EVALUATION & CONTROL

The year 1985 presented the five units of the Division of Financial Evaluation & Control with many challenges as its staff analyzed casino hotel operations to help ensure statutory compliance and preserve the integrity of New Jersey's gaming activities. Despite a significantly increased and more complex workload, the Financial Division under Director William H. Delaney met the challenges of regulating the financial aspects of this sensitive industry and continued to be recognized as one of the state's chief repositories of expertise in all technical areas of casino hotel operations.

During the first half of 1985, the Financial Division devoted resources to the opening of New Jersey's eleventh casino hotel, Trump's Castle. Since this facility was originally owned by Hilton New Jersey Corporation, its purchase by Trump's Castle Associates in April 1985 required the staff's evaluation of unique financial and operational issues. The Financial Evaluation Unit prepared an in-depth report evaluating the financial stability, business ability, and casino experience of Trump's Castle. The Casino Operations Unit had to evaluate and coordinate a myriad of approval transfers related to facility, gaming equipment, casino employee training, and accounting and operating systems so that the casino hotel could open on schedule.

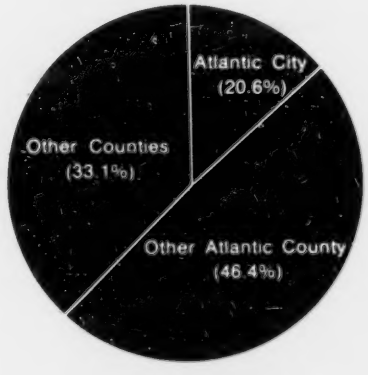
Throughout 1985, the Financial Division's staff, under the direction of Deputy Director Deno R. Marino, was instrumental in the Commission's efforts to tighten casino credit procedures. Its expertise was sought during the adoption and implementation of several revisions to the regulations governing casino credit. As the Commission's Financial and Legal Divisions coordinated interpretations and responded to industry inquiries, numerous submissions were reviewed for compliance with the new regulations. In addition, the Casino Operations Unit under

Licensing Statistics



APPLICATIONS BY CATEGORY
(Effective Date 12/27/85)

APPLICATIONS BY YEAR
(Effective Date 12/27/85)



EMPLOYEES BY LOCATION
(Effective Date 12/27/85)

the direction of Patricia M. DiFlorio was actively involved in analyzing the industry's new patron credit applications and each casino licensee's plans to phase present credit customers into the revised credit system.

All of the Financial Division's units were involved with the preparation of annual license renewal reports evaluating the financial stability, business ability, and casino experience of each casino licensee. These reports are prepared to ensure the continuity and stability of New Jersey's casino gaming operations. During the year, attention was also directed toward the review and analysis of all operating procedures related to accounting and internal control, gaming rules and equipment, and alterations to the casino floor. The Casino Operations Unit evaluated and approved 500 proposals related to these operating areas.

During 1985, the method of auditing gross casino revenues was revised by the Audit Unit with the assistance of the Inspection Unit. The revised procedures, designed to complete the audits in a more timely and efficient manner, were implemented January 1, 1986. The Audit Unit, under the direction of Michael Wozniak, also reviewed many casino requests for relief in the area of records retention. The evaluation of those requests resulted in relief being granted to the casinos while preserving the state's regulatory needs.

To preserve the integrity of New Jersey's casino activity and gaming revenues, the Financial Division's Inspection Unit under David F. Mullane monitored the industry's gaming related activities by having an average of four inspectors present during each eight-hour shift in each casino every day. During 1985, inspectors served the industry with 1,397 violations (primarily on internal controls, gaming equipment, and rules of the game) and helped resolve 1,534 table inventory discrepancies. The Inspection Unit also handled 458 formal and 1,500 informal casino patron complaints related to table game or slot machine payoffs, bus coupon disputes, and a variety of other incidents. The majority of the complaints were lodged with members of the Inspection staff located at Commission booths in each casino.

In addition, the Inspection Unit responded to approximately 600 requests from Atlantic City's 11 casino operators. These requests ranged from approving gaming equipment modifications to allowing visitors in restricted areas. Responding to inquiries from casino personnel and the public regarding regulations and regulation changes represented another facet of the Inspection Unit's 1985 workload.

The year 1985 also saw changes to regulations affecting the assessment and collection of casino licensees' fees. The Accounting Unit under Teresa B. Gervasio worked closely with the Commission's Legal Division in proposing a new fee regulation. The new regulation, which became effective on November 18, 1985, credits casino licensees if a positive fund balance exists in the Casino Control Fund at the end of any fiscal year. For the Fiscal Year 1985, the Accounting Unit was responsible for the assessment and collection of fees of $48.4 million and the collection of gross revenue taxes totaling $169.1 million.

Pursuant to the investment alternative tax obligation of the Casino Control Act, a licensee may fulfill its obligation by paying the tax or by making direct investments in approved eligible projects or bonds issued by the Casino Reinvestment Development Authority. However, the Casino Control Act also provides an avenue for deferral of reinvestment obligation payments in special cases of extreme financial hardship. The Commission was responsible for adopting regulations establishing a uniform definition of extreme financial hardship. During 1985, the Financial Evaluation Unit under the direction of Glenn Simpson assisted the Commission's Legal Division with the development of this regulation.

Equally significant to the Commission was the Financial Division's further development and refinement of the computerized database of financial data on casino hotel activities under the direction of Deputy Director Jeffrey A. Cohen. Inquiry capabilities were enhanced through the use of data inquiry screens and programmed reports. Greater microcomputer sophistication, such as complex financial modeling, statistical analysis, and graphics capabilities, has also enabled the Financial Division to monitor the Casino Control Fund with more precision and facilitated its ability to analyze the increasingly complex financial issues facing the Commission. The Financial Division's utilization of computer and information processing technology has resulted in its ability to respond to a significantly increased workload without staff additions.

During 1985, the Financial Evaluation Unit assisted the Casino Reinvestment Development Authority by providing information related to the industry's investment obligations. Data since the inception of New Jersey's casino gaming was compiled for the Authority's review. In addition, the unit's staff held quarterly financial briefings for the Division of Gaming Enforcement that addressed each licensee's current financial position, proposed financial transactions, and new financial developments. The Financial Reporting Task Force, comprised of Financial Evaluation Unit staff members and industry accountants, reconvened during the year to streamline the required Commission quarterly, annual, and license renewal financial filings.

Another facet of the Financial Division's 1985 activities was providing expert gaming advice to the Securities and Exchange Commission. Staff verified all New Jersey licensee and industry related references to historical and forecasted financial results as well as references to the Casino Control Act and related regulations for the SEC.

Throughout the year, special projects such as analyzing gross revenue tax alternatives and gaming tournaments, were also prepared at the request of the Commission. The drafting of regulations to govern gaming tournament operating procedures, which neared completion during 1985 under Deputy Director Michael A. Santaniello, will be presented for consideration and adoption in 1986.

AFFIRMATIVE ACTION & PLANNING DIVISION

The Affirmative Action and Planning Division under Director Jack E. Wood consists of three units which were actively involved during 1985 in evaluating the efforts of the casino hotel industry with respect to compliance with equal employment opportunity and affirmative action regulations and assisting the Commission in assessing the impact of casino gaming on Atlantic City and its surrounding region.

The Operations and Construction Units are responsible for monitoring and evaluating the workforce performance of the casino industry, its construction contractors and casino service industries with respect to compliance with the equal employment opportunity and affirmative action provisions of the Casino Control Act and Commission regulations.

This was the fourth year that the Operations Unit under Claire Frank provided the Commission with a comprehensive analysis and documentation of the affirmative action performance of the industry's eleven casino hotels. By the close of the year, the industry employed 38,686 workers of whom 17,686 (46%) were females and 12,434 (32%) were minorities.

Of the industry's 5,596 dealers, 2,156 (39%) were females and 1,424 (25%) were minorities. Of 8,708 casino hotel employees earning in excess of $25,000 per year, 2,507 (29%) were females and 1,402 (16%) were minorities.

While the figures reflect general improvement over the 1984 performance standards, the unit plans to push for continued progress in the compliance statistics in the coming year.

The increased utilization of computer technology in its daily operations was another aspect of the Affirmative Action Division's achievements in 1985. The monthly and quarterly statistical reports, formerly prepared manually, were completely converted to a computerized system, utilizing various software packages. Microcomputers were used extensively for workforce analysis of casino hotel facilities on both an individual as well as on an industry wide basis.

The Construction Unit headed by Marvin Askins was actively involved in monitoring the construction workforce performance at the Trump's Castle, Resorts II and Showboat construction projects as well as numerous renovation and expansion projects at the existing casino hotels during 1985. Analysis of the aggregate industry wide construction trade workforce at the year's end indicates that minorities represented 12% of the construction workforce in thirty-four construction trades. Females were employed by eight construction trades.

The Division's Planning Unit under Barbara Lampen's direction assists the Commission in assessing the impact of casino gaming on Atlantic City and its surrounding region and reviewing efforts by the gaming industry to stimulate housing development in the area. Section 84(e) of the Act requires each casino licensee to submit an impact statement which analyzes the effect of the casino hotel facility on the overall environment.

Review of the facility's impact on the environment with particular attention to housing conditions in the region, disposition of property, and efficient flow of traffic around the casino hotel is a primary responsibility of the Planning Unit.

During 1985, the Affirmative Action and Planning Units joined forces to conduct an in-depth survey and analysis of the various demographic shifts and changes which take place when a new casino opens. A study was designed and conducted by the Division of Affirmative Action and Planning based on information contained in the Trump's Castle employee files. Analysis of the Division's findings will continue during 1986 to explore the relationships and implications the findings have for future casino operations.

Casino Hotel Industry Employment Levels as of December 31, 1985

Job Category	Total Employees	Female Employees	Minority Employees
Officials & Managers	7,233	2,603 (36%)	1,346 (19%)
Professionals	6,480	2,582 (40%)	1,587 (24%)
Technicians	788	165 (21%)	106 (13%)
Salesworkers	425	345 (81%)	123 (29%)
Office & Clericals	6,336	4,870 (77%)	2,025 (32%)
Craftpersons	1,020	100 (10%)	196 (19%)
Operatives	1,312	348 (27%)	380 (29%)
Laborers	2,179	801 (37%)	1,476 (68%)
Service Workers	12,913	5,872 (45%)	5,195 (40%)
TOTAL	38,686	17,686 (46%)	12,434 (32%)

Related Independent Agencies

CASINO REVENUE FUND

New Jersey collected $169.1 million during 1985 for the Casino Revenue Fund which is used to finance programs to assist senior citizens and disabled persons.

The state collects eight percent of the gross revenue from the 11 operating casinos under the provisions of the Casino Control Act and deposits the money in an interest bearing account in the state Treasury Department.

The $169,179,737 which the state collected during 1985 represents a 9.6 percent increase compared with the 1984 figures. The 1985 figure brings the total which the state has received since 1978 when the first casino opened to $781 million plus $18 million in interest.

Funds collected by the state are used, in accordance with the constitutional change approved by the voters in 1976, for programs for senior citizens and disabled persons. The programs, which are authorized by the state Legislature, include real estate tax abatements, utility payments, pharmaceutical assistance, aid to shut-ins and persons in boarding houses, and transportation aid.

The largest allocation of funds during Fiscal 85 went for payments to cover utility costs for qualified senior citizens and disabled. The state paid $63,173,143 for the Lifeline program.

The next largest payment was to cover the real estate tax rebate program with the state paying $50,698,100 to cover tax programs for qualifying senior citizens and disabled persons.

The state also paid $28,575,505 for programs designed to assist qualifying persons pay for prescription drugs. Other disbursements included $1 million for boarding home assistance; $671,220 for congregate housing support services; $3,868,606 for medical assistance for home health care patients; and $613,810 for transportation costs.

Appropriations for expenditures for Fiscal 86 have already been authorized by the state Legislature.

None of the funds collected by the Commission for the Casino Revenue Fund is used to regulate the gaming industry. All the costs of the Commission are borne by the industry and no funds come out of the general state treasury.

Cost of administering the Casino Revenue Fund is paid out of the Fund and is approximately three percent of the total costs of the various programs.

CASINO REINVESTMENT DEVELOPMENT AUTHORITY

The Casino Reinvestment Development Authority was created by the State Legislature in late 1984 to direct the revitalization of Atlantic City and other parts of the state through the use of funds provided by the casino industry for that purpose.

The legislation was passed amid much fanfare in the dying days of the legislative session and was signed into law by Governor Thomas H. Kean immediately.

Governor Kean named John Feehan, chairman of the Atlantic Electric Company, chairman of the new Authority. He also named Casino Control Commission Chairman Walter N. Read, Murray Raphel, Irene Hill-Smith, former Casino Control Commission member Don M. Thomas, and David Kotok to the Commission. Thomas Infusino was nominated by former Senate President Carmen Orechio and Robert DeCotiis was named by former Assembly Speaker Alan Karcher.

Mayor James Usry of Atlantic City serves as an ex-officio member of the Authority. Named as non-voting members were Richard Gillman, chairman of the Atlantic City Casino Association, Thomas Carver of the Casino Association, and State Treasurer Michael Horn.

Under the provisions of the new law, casinos are required to invest 1.25 percent of their gross revenue quarterly in CRDA bonds at below market rates. Each casino's obligation will expire in 25 years.

At the end of last year the CRDA had $55 million on deposit with the state treasurer as payment of prior obligations from various casinos for 1984 and part of 1985. There is still $61 million outstanding from years 1981, 1982, 1983 and part of 1985.

The Authority was formally inducted into office on June 29 in Governor Kean's office. After that, the members adopted a meeting schedule and a budget and spent the last months of the year interviewing applicants for the position of executive director and researching projects for the redevelopment of the city.

Under a complicated formula adopted by the Legislature, the proceeds from the sale of the CRDA bonds will be used exclusively for the rehabilitation of Atlantic City for the first three years. After that part of the proceeds from the sale of bonds will be used to fund projects in other South Jersey municipalities as well as improvements throughout the entire state.

As the CRDA moved toward the close of its first full year of activity it was preparing to select projects for the rehabilitation and revitalization of the Inlet section of the city in accordance with the concept developed several years ago for the Commission by American City, Inc., a subsidiary of the Rouse Company.

Expectations were that the first bricks and mortar project funded by the CRDA will be underway during 1986.

DIVISION OF GAME ENFORCEMENT

With the advent of casino gaming in Atlantic City in 1976 came a paramount need to establish a strict regulatory process to ensure public confidence in the state's ability to safeguard against the negative influence historically associated with the casino industry.

The Division of Gaming Enforcement, established as a separate entity within the Department of Law and Public Safety, was created in accord with provisions of the Casino Control Act in August, 1977 as the investigative and enforcement agency assigned the task of maintaining the integrity of the casino gaming industry in the State of New Jersey. The Division of Gaming Enforcement, along with the Casino Control Commission, has the primary responsibility of protecting the public interest by supporting a legitimate and viable casino industry through assuring the honesty, integrity and good character of each and every participant within the industry.

The Division performs this mission through the enforcement of the Casino Control Act by investigating the backgrounds of all individuals and corporate applicants for casino and casino-related licensure, by the review and audit of casino operations and the prosecution of all violations, both statutory and regulatory, of the Act. The Division, possessing both civil and criminal jurisdiction, then presents the results of its investigative and legal efforts to the Casino Control Commission. The cohesive relationship established between the Division of Gaming Enforcement and the Casino Control Commission continues to reassure the public of a review process designed to insure the viability of the New Jersey casino industry.

The Division of Gaming Enforcement is presently headed by Director Anthony J. Parrillo, who was appointed by Governor Kean on January 22, 1986 and confirmed by the State Senate.

The Division, in 1985, was reorganized into four operation bureaus in an effort to provide the utmost in personnel resources and to keep pace with the ever-developing casino industry in Atlantic City. The operating bureaus within the Division now include: Bureau of Legal Services; Bureau of Investigations; Bureau of Licensing and Bureau of Administrative Services. All bureaus report to the Division Director who, in turn, serves at the direction of the Attorney General.

The Division, comprised of 544 employees, has assembled a staff consisting of Deputy Attorneys General, State Police, administrative and research professionals along with clerical support staff, and maintains offices in Trenton, Atlantic City, Absecon, and Cardiff.

During 1985, the Division made 932 arrests related to casino crimes and filed 485 administrative complaints with the Casino Control Commission to revoke or suspend casino licenses and registrations. Additionally, 14 administrative complaints for audit or inspection violations of the Casino Control Act and regulations were presented for resolution in 1985 resulting in over $1 million in fines levied against the industry. The names of four individuals were added to the casino exclusion list, which now include 34 persons linked to organized crime, bringing the total number to 116.

The Division prosecuted 72 hearings before administrative law judges and disposed of 14,342 employee license or registration applications through investigation and report to the Commission or other appropriate action. The Division also conducted 2,932 other investigations relating to casino service industries, junkets, qualifiers as well as ten operational audits of casinos, including Trump's Castle.

Other significant Division activities in 1985 included: Successful appellate court proceedings in the Hotel and Restaurant and Bartenders International Union, Local 54, which succeeded in ousting three union officials pursuant to an order of removal issued by the Casino Control Commission. This ouster culminated more than four years of litigation, including a decision by the United States Supreme Court recognizing the right of New Jersey gaming officials to disqualify unsuitable labor union officers from participating in New Jersey's casino gaming industry.

The successful opening, including test nights and procedural reviews, of Trump's Castle Hotel and Casino, the 11th such facility to be built in Atlantic City and licensed for operation under the Casino Control Act. This opening was heralded as the smoothest and most successful yet achieved in the history of casino gaming in New Jersey.

Investigation into credit transactions approved by Caesars Atlantic City Hotel and Casino in catering to a patron who embezzled more than $10 million from a Canadian bank, resulted in the filing of administrative charges against both the casino and executives involved in the transaction. The Division's complaint resulted in the stiffest penalty ever assessed against a New Jersey casino—a one-day closing, plus substantial fines imposed on casino executives.

Enforcement activities and audits of casino operations and procedures, as well as casino service industry practices, resulted in fines totalling in excess of $1,077,000 for violations of the Casino Control Act and regulations. The heaviest fine imposed against a specific casino licensee for a regulatory infraction exceeded $200,000.

Operating funds for the Division of Gaming Enforcement are advanced from the General State Treasury, which is reimbursed with interest as revenues are received from the casinos.

The Division of Gaming Enforcement intends numerous initiatives for 1986, including a comprehensive review of the Casino Control Act and regulations. The Division, through its mandate, will continue to act as a strong public advocate in order to maintain honesty and integrity within the New Jersey casino industry.

Statistics

Enterprise License Bureau
Casino Service Industries

	01/01/85 to 12/31/85		Inception to 12/31/85
Enterprises permitted to conduct business with casino licensees	3,149		13,469*
Enterprises prohibited from conducting business with casino licensees	40		336
Contracts reviewed	1,960		9,475
Gaming Related Applicants	7		109
Gaming Related Licenses Issued	4		36
Gaming Related Licenses Denied	2		9
Gaming Related Licenses Active		23	
Gaming Related Withdrawals Granted	1		12
Non-Gaming Related Applicants	225		1,937
Non-Gaming Related			
Licenses Issued	170		906
Licenses Denied	4		74
Withdrawals Granted	43		215
Non-Gaming Related Licenses Active		713	
Exemption requests received	7		133
Exemption requests accepted for filing	7		79
Exemptions granted by CCC	2		11

*This figure is less prohibited vendors, 4,800 purged vendors and vendors which were administratively deleted from the Master Vendors List.

Junket Enterprises

	01/01/85 to 12/31/85	Inception to 12/31/85
Junket Enterprise Applicants	28	205
Junket Enterprises Licensed	31	116
Junket Enterprise Licenses Denied	2	2
Junket Enterprise Licenses Granted	7	7

Gaming Schools

Applications Filed	2	17
Schools Licensed	0	8
Currently Operating	2	

Labor Organizations

Registered	0	15

Casino Hotel Alcoholic Beverage Licenses

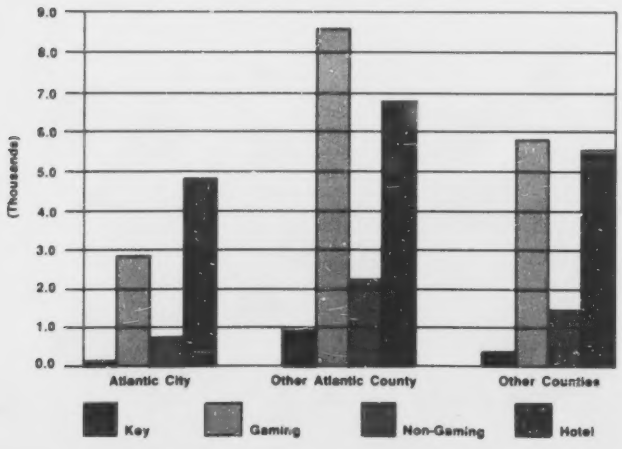
NEW LICENSES ISSUED	2
LICENSES RENEWED	13

Employee Licenses

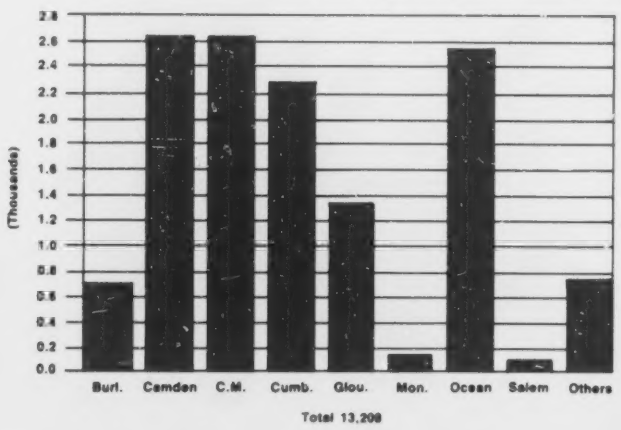
	1/1/85 to 12/31/85	Inception to 12/31/85
Casino Key Employees:		
Applications filed	266	3,570
Licenses issued	356	3,088
Temporary licenses issued	158	1,020[a]
Casino Employees:		
Applications filed	6,048	59,030
Licenses issued	5,745	55,918
Temporary non-gaming licenses issued	1,104	5,658[b]
Temporary junket representative licenses issued	75	618
Temporary sole owner/operator junket enterprise licenses issued	102[c]	550
Gaming School Employees:		
Applications filed	42	968
Licenses issued	77	801
Temporary licenses issued	11	71[d]
Casino Hotel Employees:		
License & Registration Applications filed	7,797	65,167
Licenses & Registrations issued	7,797	65,062
Total Employees:		
Applications filed	14,153	128,735
Licenses issued	6,178	59,807[e]
Hotel Registrations issued	7,797	32,807[f]
Temporary licenses issued	1,450	7,917
Position additions processed	3,571	29,988
Employee licenses renewals processed	6,709	61,639

[a]Number of temporary key licenses granted from January 1980 through December 1985.
[b]Number of temporary casino licenses granted from September 1980 through December 1985.
[c]Includes some individuals also temporarily licensed as Junket Representatives.
[d]Number of temporary gaming school licenses granted from June 1980 through December 1985.
[e]Includes hotel employee licenses issued before February 15, 1982.
[f]Includes persons who were "grandfathered" in as registrants.

RESIDENCE OF EMPLOYEES



EMPLOYEES RESIDING OUTSIDE ATLANTIC COUNTY



Statistics

The New Jersey Casino Industry Facility Statistics at December 31, 1985 and 1984

	Atlantis		Bally		Caesars		Castle	
	1985	1984	1985	1984	1985	1984	1985	1985
Table Games:								
Blackjack	61	61	76	76	72	72	74	48
Craps	16	16	22	22	24	24	24	12
Roulette	9	11	12	12	11	10	12	6
Big Six	3	2	4	4	4	4	4	2
Baccarat	3	3	3	3	3	4	3	2
Total Table Games	92	93	117	117	114	114	117	70
Slot Machines:								
.05 slot machines	66	66	130	89	86	84	97	51
.25 slot machines	835	851	1,004	1,071	906	797	1,040	586
$1 slot machines	110	155	200	199	162	211	228	144
Other slot machines[a]	309	239	262	237	444	495	319	203
Total Slot Machines	1,320	1,311	1,596	1,596	1,598	1,587	1,684	984
Casino Square Footage	50,516	51,051	59,439	59,439	59,296	59,999	60,000	33,752
Number of Hotel Rooms	500	500	510	512	641	645	605	504
Convention Space Square Footage	26,255	26,693	35,994	41,365	26,364	25,946	27,961	23,628
Number of Parking Spaces	1,736	1,616	932	816	1,310	1,000	2,866	636
Number of Theatre Seats	850	850	310	310	1,000	492	454	558
Number of Restaurants	5	7	10	9	11	10	7	8
Fixed Asset Investment[b] (Millions)	$180.7	$173.1	$408.9	$380.9	$269.5	$254.2	$322.4	$8.2
Number of Employees	2,862	3,344	3,861	3,691	3,629	3,590	3,801	2,195

[a]Includes all other slot machines.
[b]Represents property and equipment before accumulated depreciation as reported by each casino licensee.
[c]Fixed asset investment for Claridge at December 31, 1984 and 1985, only includes gaming equipment because Incorporated leases its property and equipment as a result of a sale and refinancing agreement.
[d]Fixed asset investment for Tropicana at December 31, 1984 and 1985 does not include the building and ce because Adamar of New Jersey, Inc. leases these assets as a result of a sale and leaseback transaction.

ridge	Golden Nugget		Harrah's		Resorts		Sands		Tropicana		Trump		Industry Totals	
1984	1985	1984	1985	1984	1985	1984	1985	1984	1985	1984	1985	1984	1985	1984
40	57	57	60	60	81	81	62	57	76	76	84	82	751	662
12	20	20	22	22	22	22	18	21	26	26	24	22	230	207
8	10	10	12	12	11	11	12	12	11	11	11	12	117	109
2	4	4	3	3	4	4	2	2	3	3	4	6	37	34
2	2	2	3	2	3	3	2	2	3	3	3	3	30	27
64	93	93	100	99	121	121	96	94	119	119	126	125	1,165	1,039
54	62	63	107	67	88	94	75	76	73	73	83	88	918	754
574	655	732	832	641	979	988	763	943	784	935	942	917	9,326	8,449
146	179	179	271	228	224	235	147	160	231	175	184	215	2,080	1,903
225	304	228	372	393	369	347	465	281	364	276	448	514	3,859	3,235
999	1,200	1,202	1,582	1,329	1,660	1,664	1,450	1,460	1,452	1,459	1,657	1,734	16,183	14,341
33,937	40,814	40,814	43,251	44,698	59,857	59,857	49,688	49,370	50,850	50,850	60,000	60,000	567,463	510,015
504	519	522	750	506	686	686	500	500	515	516	612	612	6,342	5,503
24,755	23,961	24,454	25,100	23,404	48,953	49,445	24,930	27,184	26,152	28,762	30,716	30,459	320,014	302,467
614	1,613	1,672	2,599	2,699	2,340	3,238	765	765	2,506	2,506	1,051	1,051	18,404	15,977
558	540	540	849	849	1,600	1,600	850	850	1,720	1,060	718	718	9,449	7,827
8	10	9	10	8	12	12	9	6	9	10	7	8	98	87
$7.4[c]	$186.3	$175.7	$247.3	$184.1	$173.1	$165.7	$191.9	$135.2	$102.7[d]	$98.0[d]	$196.7	$192.1	$2,287.7	$1,766.4
2,187	2,861	3,089	3,827	3,514	3,912	4,254	2,762	2,503	3,495	3,409	3,799	4,100	37,004	33,681

Claridge at Park Place.

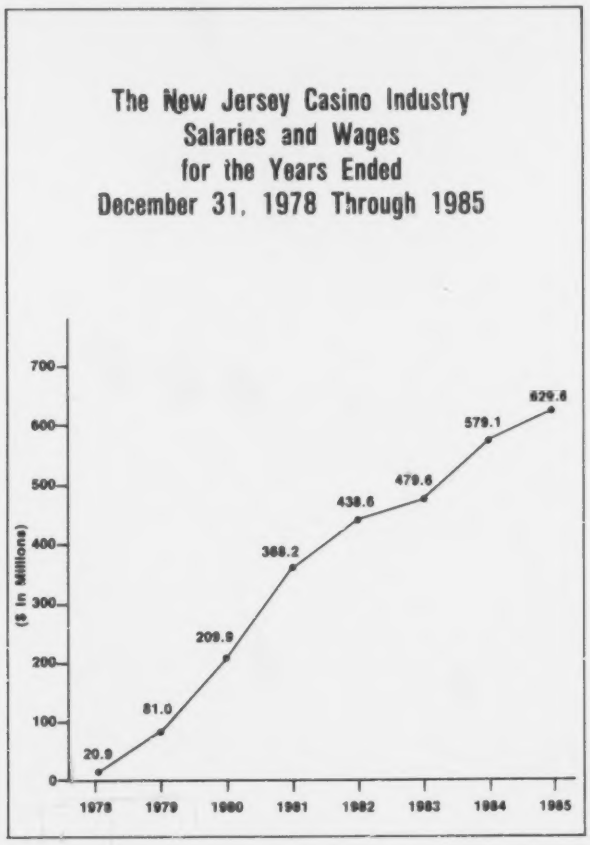
in non-gaming assets

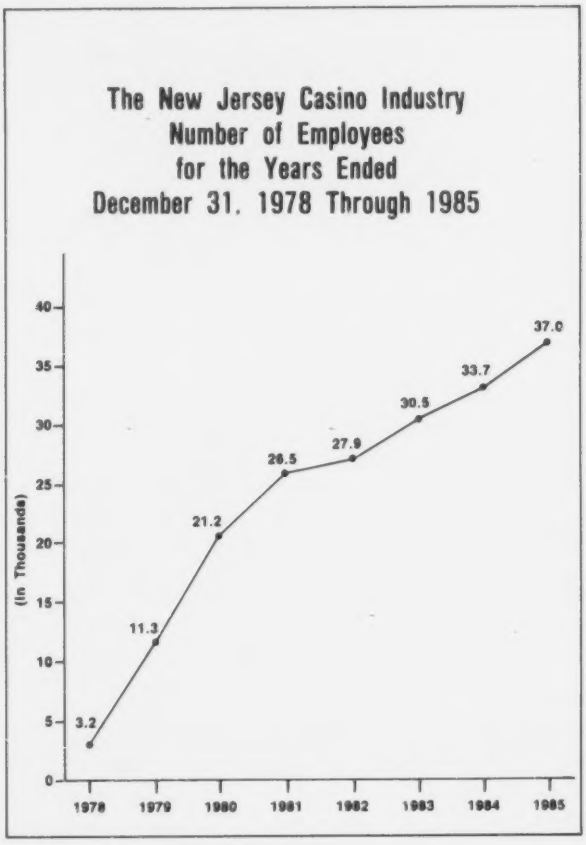
The New Jersey Casino Industry
Gross Revenue and Related Tax
for the Years Ended December 31, 1985 and 1984

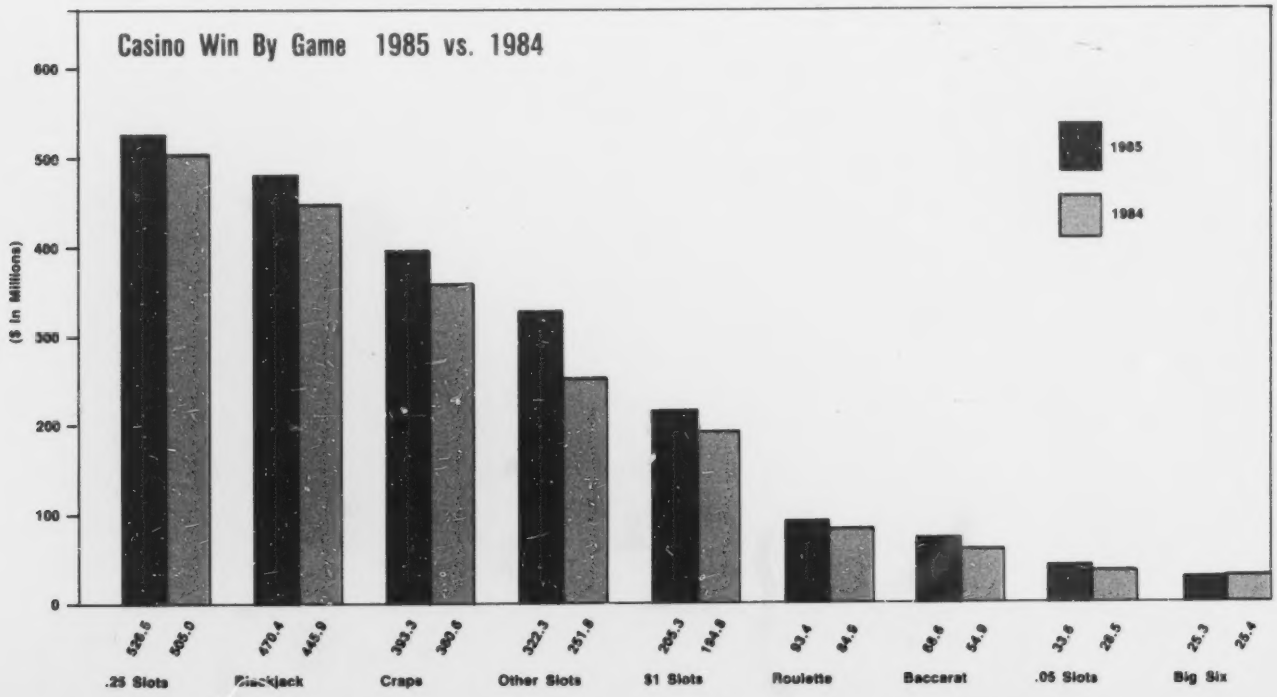
(Thousands)

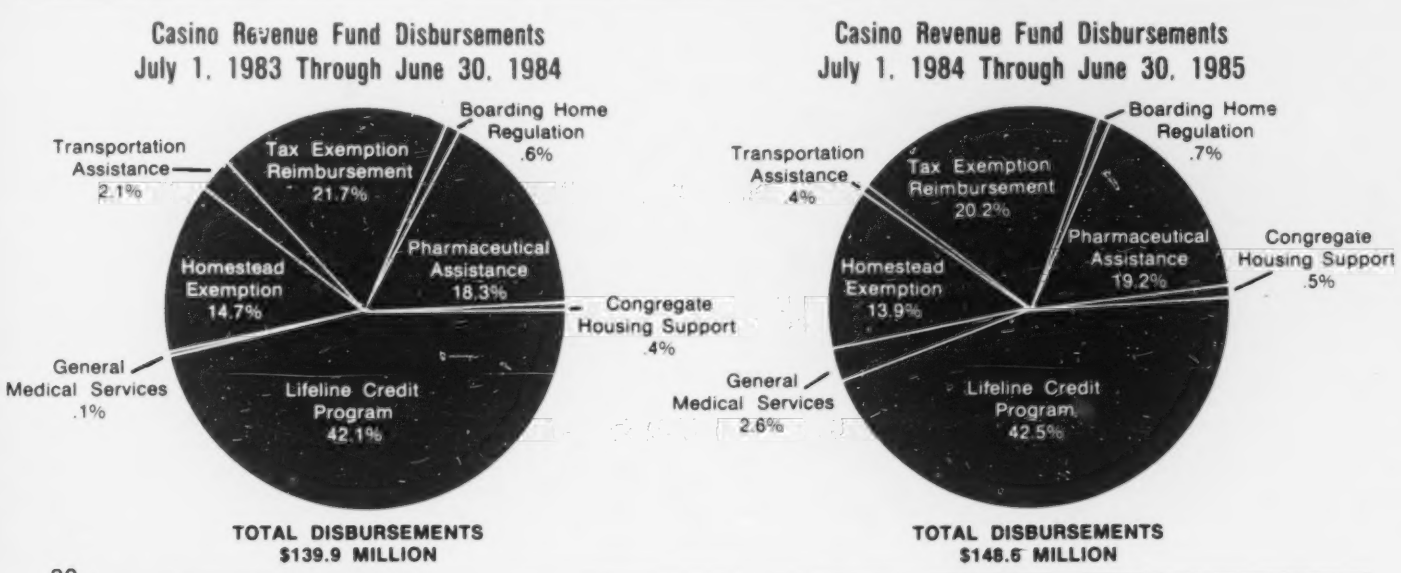
Casino-Hotel	Casino Win	Daily Average Casino Win	Adjustment for Uncollectibles	Gross Revenue	Tax
Atlantis					
1985	**$138,498**	**$379**	**$ 985**	**$137,513**	**$11,001**
1984	147,002	402	725	146,277	11,702
Bally					
1985	**$224,266**	**$614**	**$ 585**	**$223,681**	**$17,895**
1984	237,140	648	713	236,427	18,914
Caesars					
1985	**$247,091**	**$679**	**$3,831**	**$243,260**	**$19,461**
1984	223,163	610	2,679	220,484	17,639
Castle					
1985*	**$116,351**	**$588**	**$ 730**	**$115,621**	**$ 9,250**
1984	—	—	—	—	—
Claridge					
1985	**$119,665**	**$328**	**$ 857**	**$118,808**	**$ 9,505**
1984	123,140	336	1,275	121,865	9,749
Golden Nugget					
1985	**$240,507**	**$659**	**$2,971**	**$237,536**	**$19,003**
1984	251,033	686	2,923	248,110	19,849
Harrah's					
1985	**$215,481**	**$590**	**$1,596**	**$213,885**	**$17,111**
1984	210,432	575	1,800	208,632	16,691
Resorts					
1985	**$243,304**	**$667**	**$1,739**	**$241,565**	**$19,325**
1984	256,215	700	1,216	254,999	20,400
Sands					
1985	**$179,012**	**$490**	**$2,812**	**$176,200**	**$14,096**
1984	159,526	436	3,253	156,273	12,502
Tropicana					
1985	**$211,058**	**$578**	**$3,199**	**$207,859**	**$16,629**
1984	218,492	597	2,568	215,924	17,274
Trump					
1985	**$203,418**	**$557**	**$4,117**	**$199,301**	**$15,944**
1984**	125,623	541	1,661	123,962	9,917

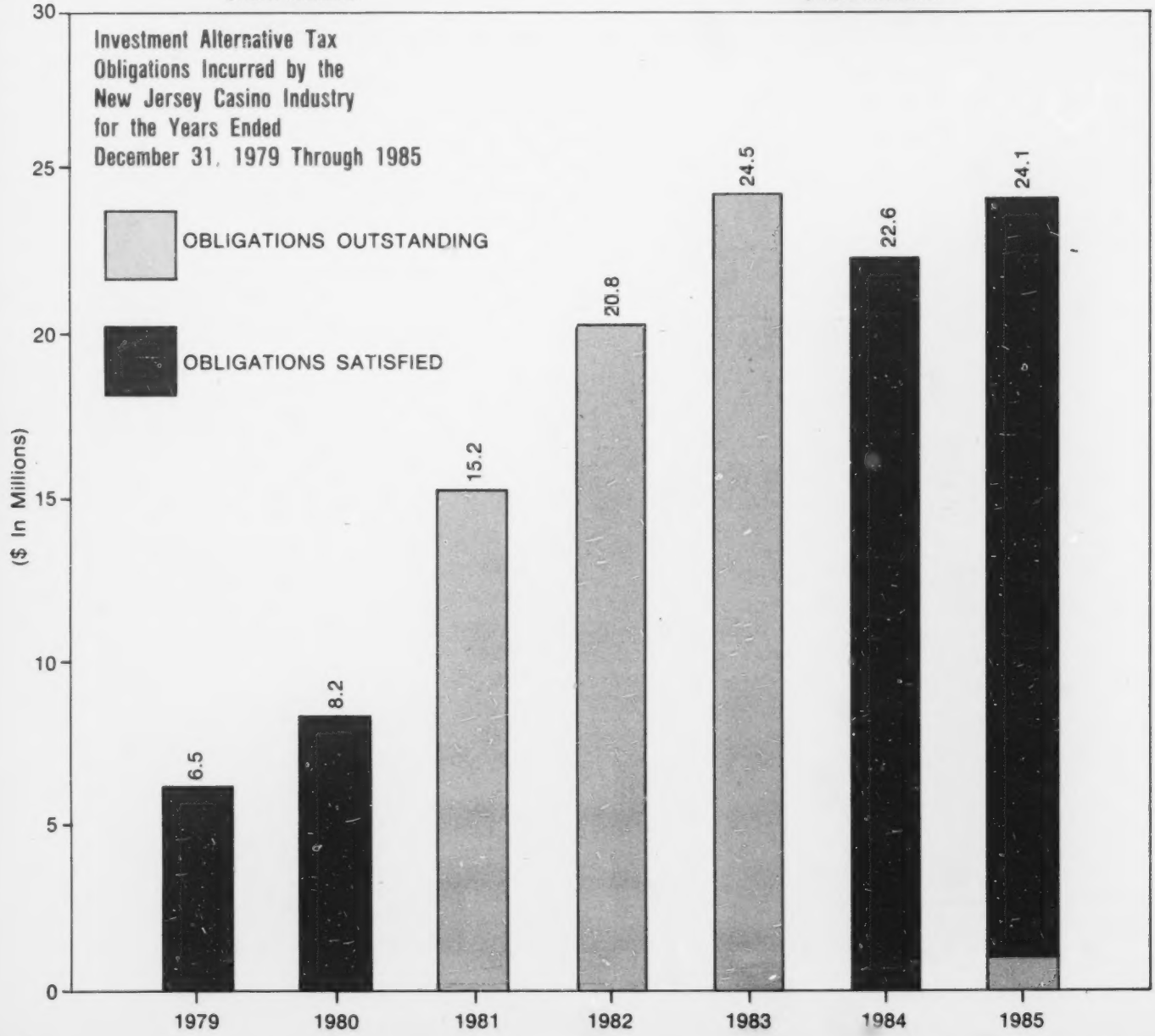
*Castle officially opened on June 19, 1985.
**Trump officially opened on May 26, 1984.

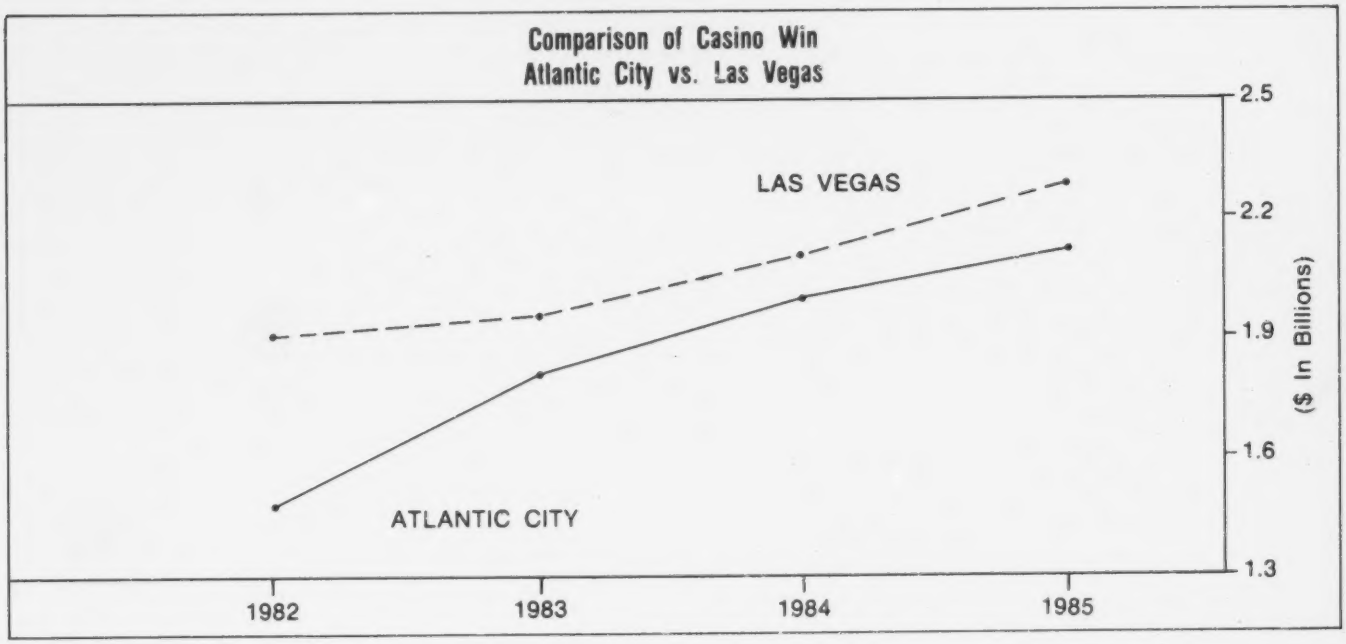

The New Jersey Casino Industry
Salaries and Wages
for the Years Ended
December 31, 1978 Through 1985
($ In Millions)
0
100
200
300
400
500
600
700
20.9
81.0
209.9
368.2
438.6
479.6
579.1
629.6
1978
1979
1980
1981
1982
1983
1984
1985


The New Jersey Casino Industry
Number of Employees
for the Years Ended
December 31, 1978 Through 1985
(In Thousands)
0
5
10
15
20
25
30
35
40
3.2
11.3
21.2
26.5
27.9
30.5
33.7
37.0
1978
1979
1980
1981
1982
1983
1984
1985


Casino Win By Game 1985 vs. 1984
($ In Millions)
0
100
200
300
400
500
600
1985
1984
526.6
505.0
470.4
445.9
393.3
360.6
322.3
251.8
205.3
194.8
93.4
84.6
68.6
54.9
33.8
28.5
25.3
25.4
.25 Slots
Blackjack
Craps
Other Slots
$1 Slots
Roulette
Baccarat
.05 Slots
Big Six


Casino Revenue Fund Disbursements
July 1, 1983 Through June 30, 1984
Boarding Home Regulation .6%
Transportation Assistance 2.1%
Tax Exemption Reimbursement 21.7%
Pharmaceutical Assistance 18.3%
Homestead Exemption 14.7%
Congregate Housing Support .4%
General Medical Services .1%
Lifeline Credit Program 42.1%
TOTAL DISBURSEMENTS
$139.9 MILLION
Casino Revenue Fund Disbursements
July 1, 1984 Through June 30, 1985
Boarding Home Regulation .7%
Transportation Assistance .4%
Tax Exemption Reimbursement 20.2%
Pharmaceutical Assistance 19.2%
Congregate Housing Support .5%
Homestead Exemption 13.9%
General Medical Services 2.6%
Lifeline Credit Program 42.5%
TOTAL DISBURSEMENTS
$148.6 MILLION


Investment Alternative Tax Obligations Incurred by the New Jersey Casino Industry for the Years Ended December 31, 1979 Through 1985
OBLIGATIONS OUTSTANDING
OBLIGATIONS SATISFIED
($ In Millions)
30
25
20
15
10
5
0
6.5
8.2
15.2
20.8
24.5
22.6
24.1
1979
1980
1981
1982
1983
1984
1985



Industry Comparisons	Atlantic City		Las Vegas		Over (Under) Atlantic City	
	Average Units	Av. Win Per Unit	Average Units	Av. Win Per Unit	Average Units	Av. Win Per Unit
1985:						
Slot Machines	15,229	$71,426	55,247	$20,974	40,018	($50,452)
Table Games	1,114	$943,366	2,883	$371,676	1,769	($571,690)
1984:						
Slot Machines	13,288	$73,758	51,286	$20,065	37,998	($53,693)
Table Games	977	$994,542	2,784	$359,166	1,807	($635,376)
1983:						
Slot Machines	11,937	$73,547	47,240	$19,739	35,303	($53,808)
Table Games	897	$995,549	2,742	$351,892	1,845	($643,657)
1982:						
Slot Machines	11,828	$58,674	41,733	$19,221	29,905	($39,453)
Table Games	949	$842,122	2,565	$395,234	1,616	($446,888)

Visitors

	Atlantic City		Las Vegas	
	1985	1984	1985	1984
Car	15.7M	15.4M	7M	6.3M
Bus	13.3M	12.8M	1.7M	1.4M
Plane	277,000	257,000	5.5M	5.1M
TOTAL:	29.3M	28.5M	14.2M	12.8M

Auditor's Report

LEGISLATIVE SERVICES COMMISSION
SENATE MEMBERS:
JOHN F. RUSSO
Chairman
DONALD T. DIFRANCESCO
MATTHEW FELDMAN
WALTER E. FORAN
S. THOMAS GAGLIANO
LAURENCE S. WEISS
JAMES R. HURLEY
CARMEN A. ORECHIO
ASSEMBLY MEMBERS:
ROBERT E. LITTEL
Vice-Chairman
WILLIE B. BROWN
JOHN PAUL DOYLE
CHUCK HARDWICK
BYRON M. BAER
DENNIS L. RILEY
ANTHONY M. VILLANE, JR.
KARL WEIDEL

New Jersey State Legislature
OFFICE OF LEGISLATIVE SERVICES
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December 19, 1985

The Honorable Thomas H. Kean
Governor of New Jersey

The Honorable John F. Russo
President of the Senate

The Honorable Chuck Hardwick
Speaker of the General Assembly

Mr. Albert Porroni
Executive Director
Office of Legislative Services

Gentlemen:

We have examined the balance sheet of the **Casino Control Fund** of the State of New Jersey as of June 30, 1985 and 1984, and the related statements of revenues, expenditures, and changes in fund balances; and of revenues, expenditures, and changes in fund balances, budget and actual—budgetary basis for the years then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of the **Casino Control Fund** as of June 30, 1985 and 1984, and the results of operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

The examination was performed and this report is submitted pursuant to the State Auditor's audit responsibilities as set forth in Article VII, Section 1, Paragraph 6 of the State Constitution, and N.J.S.A. 52:24-4.

Respectfully submitted,

James J. Dolan
State Auditor

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State of New Jersey
Casino Control Fund
Balance Sheet
June 30, 1985 and 1984

Exhibit I
(in $000)

	1985	1984
Assets:		
Accounts Receivable (Note 3)	$ 8,897.2	$5,042.4
Less: Allowance for Doubtful Accounts	858.7	808.1
Net Accounts Receivable	8,038.5	4,234.3
Due from General Fund (Note 2)	5,772.2	1,653.0
Total Assets	$13,810.7	$5,887.3
Liabilities and Fund Balance:		
Liabilities:		
Accounts Payable (Note 4)	$ 4,483.7	$3,119.5
Deferred Revenue	—	1,520.6
Total Liabilities	4,483.7	4,640.1
Fund Balance: (Note 1)		
Reserved:		
Reserved for Encumbrances		
Current Year	1,152.5	941.6
Prior Year	443.5	305.6
Unreserved:		
Undesignated	7,731.0	—
Total Fund Balance (Note 6)	9,327.0	1,247.2
Total Liabilities and Fund Balance	$13,810.7	$5,887.3

SEE NOTES TO FINANCIAL STATEMENTS

State of New Jersey
Casino Control Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Years Ended June 30, 1985 and 1984

Exhibit II
(in $000)

	1985	1984
Revenues:		
Licenses		
Casino	$30,679.7	$23,179.3
Casino Employees	5,272.1	5,204.4
Slot Machines	7,239.8	6,250.5
Casino Service Industry	1,057.4	890.4
Alcoholic Beverage	1,136.7	729.1
Work Permits	2,349.2	1,530.3
Deficit Assessments	(46.3)	2,383.0
Fines and Penalties	726.8	274.3
Other Revenue	25.0	76.0
Total Revenue	48,440.4	40,517.3
Other Increases:		
Transfers from General Fund (Note 8)	846.4	—
Total Other Increases	846.4	—
Total Revenues/Other Increases	49,286.8	40,517.3
Expenditures:		
Public Safety and Criminal Justice (Division of Gaming Enforcement)	24,272.2	21,594.2
Government Direction, Management and Control (Casino Control Commission)	16,934.8	14,651.2
Total Expenditures	41,207.0	36,245.4
Other Decreases:		
Transfers to General Fund (Note 8)	—	641.7
Total Other Decreases	—	641.7
Total Expenditures/Other Decreases	41,207.0	36,887.1
Net Increase in Fund Balance for the Year	8,079.8	3,630.2
Fund Balance (Deficit)—Beginning	1,247.2	(2,383.0)
Fund Balance—Ending	$ 9,327.0	$ 1,247.2

( ) Denotes minus amount

SEE NOTES TO FINANCIAL STATEMENTS

State of New Jersey
Casino Control Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual-Budgetary Basis
for the Fiscal Year Ended June 30, 1985

Exhibit III-A
(in $000)

	Actual	Adjustment To Budgetary Basis	Actual On Budgetary Basis	Budget	Variance-Favorable (Unfavorable)
Revenues:					
Licenses					
Casino	$30,679.7	$ —	$30,679.7	$28,973.5	$1,706.2
Casino Employees	5,272.1	—	5,272.1	5,449.1	(177.0)
Slot Machines	7,239.8	—	7,239.8	6,113.7	1,126.1
Casino Service Industry	1,057.4	—	1,057.4	1,284.8	(227.4)
Alcoholic Beverage	1,136.7	—	1,136.7	753.1	383.6
Work Permits	2,349.2	—	2,349.2	1,639.2	710.0
Deficit Assessments	(46.3)	—	(46.3)	—	(46.3)
Fines and Penalties	726.8	—	726.8	—	726.8
Other Revenue	25.0	—	25.0	88.6	(63.6)
Total Revenues	48,440.4	—	48,440.4	44,302.0	4,138.4
Other Increases:					
Transfers from General Fund	846.4	—	846.4	—	846.4
Total Other Increases	846.4	—	846.4	—	846.4
Total Revenues/Other Increases	49,286.8	—	49,286.8	44,302.0	4,984.8
Expenditures:					
Public Safety and Criminal Justice (Division of Gaming Enforcement)	24,272.2	535.2	24,807.4	27,154.0	2,346.6
Government Direction, Management and Control (Casino Control Commission)	16,934.8	182.6	17,117.4	17,148.0	30.6
Total Expenditures	41,207.0	717.8	41,924.8	44,302.0	2,377.2
Other Decreases:					
Transfers to General Fund	—	—	—	—	—
Total Other Decreases	—	—	—	—	—
Total Expenditures/Other Decreases	41,207.0	717.8	41,924.8	44,302.0	2,377.2
Net Increase (Decrease) in Fund Balance For the Year	$ 8,079.8	($717.8)	$ 7,362.0	$ —	$7,362.0

( ) Denotes minus amount

SEE NOTES TO FINANCIAL STATEMENTS

State of New Jersey
Casino Control Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual-Budgetary Basis
for the Fiscal Year Ended June 30, 1984

Exhibit III-B
(in $000)

	Actual	Adjustment To Budgetary Basis	Actual On Budgetary Basis	Budget	Variance-Favorable (Unfavorable)
Revenues:					
Licenses					
Casino	$23,179.3	$ —	$23,179.3	$21,451.8	$1,727.5
Casino Employees	5,204.4	—	5,204.4	4,705.5	498.9
Slot Machines	6,250.5	—	6,250.5	5,604.8	645.7
Casino Service Industry	890.4	—	890.4	905.8	(15.4)
Alcoholic Beverage	729.1	—	729.1	916.7	(187.6)
Work Permits	1,530.3	—	1,530.3	2,070.0	(539.7)
Deficit Assessments	2,383.0	—	2,383.0	2,383.0	—
Fines and Penalties	274.3	—	274.3	—	274.3
Other Revenue	76.0	—	76.0	50.0	26.0
Total Revenues	40,517.3	—	40,517.3	38,087.6	2,429.7
Expenditures:					
Public Safety and Criminal Justice (Division of Gaming Enforcement)	21,594.2	258.4	21,852.6	23,027.2	1,174.6
Government Direction, Management and Control (Casino Control Commission)	14,651.2	249.6	14,900.8	15,060.4	159.6
Total Expenditures	36,245.4	508.0	36,753.4	38,087.6	1,334.2
Other Decreases:					
Transfers to General Fund	641.7	—	641.7	—	(641.7)
Total Other Decreases	641.7	—	641.7	—	(641.7)
Total Expenditures/Other Decreases	36,887.1	508.0	37,395.1	38,087.6	692.5
Net Increase (Decrease) in Fund Balance For the Year	$ 3,630.2	($508.0)	$ 3,122.2	$ —	$3,122.2

( ) Denotes minus amount

SEE NOTES TO FINANCIAL STATEMENTS

STATE OF NEW JERSEY
CASINO CONTROL FUND
NOTES TO FINANCIAL STATEMENTS

NOTE 1—**Summary of Significant Accounting Policies**

A. Fund Accounting

The Governmental Accounting Standards Board, in its Statement 1—entitled *Authoritative Status of NCGA Pronouncements and AICPA Industry Audit Guide*, continued in force the National Council on Governmental Accounting's (NCGA) Statement 1. NCGA Statement 1 defines a fund as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources together will all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. These statements reflect financial reporting practices in accordance with that definition.

Special Revenue Fund

The Casino Control Fund is classified as a Special Revenue Fund. Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or for major capital projects) that are legally restricted to expenditure for specified purposes.

The Casino Control Fund (N.J.S.A. 52:12-143) accounts for fees from the issuance and annual renewal of casino licenses, work permit fees, and other license fees. Appropriations are made to fund the operations of the Casino Control Commission and the Division of Gaming Enforcement.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

The Casino Control Fund is accounted for using the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized in the accounting period in which they become susceptible to accrual—that is, when they become both measurable and available to finance expenditures of the fiscal period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Material revenues susceptible to accrual would include casino license fees.

Appropriations are authorized by an act of the Legislature for expenditure during the fiscal year and for a period of one month thereafter. Expenditures are recorded on an accrual basis when the related liability is incurred. Modifications to the accrual basis of accounting include:

a. Disbursements for prepaid expenses, inventory items, and fixed assets are recorded as expenditures when incurred.
b. Accumulated unpaid vacation and sick pay are not accrued.

Encumbrances represented by purchase orders and contracts are recorded and reported as reservations of fund balance since they do not constitute expenditures or liabilities.

C. Revenue and Expenditure Budgets

The Casino Control Fund, as detailed in the following table, operates under a budgetary control system comprised of:

a.) The Annual Appropriations Acts approved June 30, 1984 for Fiscal Year 1985, June 30, 1983 for Fiscal Year 1984, and various supplemental appropriation acts approved during the fiscal year.
b.) Reappropriations (authorized by the Annual Appropriations Act) of prior year funds which are available for expenditure in the current year.
c.) Appropriated Revenues (authorized by the Annual Appropriations Act) which established certain revenues as appropriations.

The above items provided the following amounts for the Fiscal Year 1985 and 1984 budgets (in $000).

	Revenue and Other Increases	
	1985	1984
Annual Appropriations Act	$44,302.0	$38,087.6
Totals	$44,302.0	$38,087.6

	Expenditures and Other Decreases	
	1985	1984
Annual Appropriations Act	$44,302.0	$38,087.6
Totals	$44,302.0	$38,087.6

Budgetary control is maintained at the program unit level.

The accompanying statements of Revenues, Expenditures, and Changes in Fund Balances, Budget and Actual-Budgetary Basis present comparisons of the legally adopted budget with actual data on a budgetary basis.

The State's budgetary basis of accounting differs from that utilized to present financial statements in conformance with generally accepted accounting principles (GAAP). The main difference between the budgetary basis and the GAAP basis is that under the budgetary basis encumbrances are recognized as expenditures, and the budgetary basis reflects

transactions only for the current fiscal year. There were no expenditures in excess of appropriations in the Casino Control Fund.

D. Fund Balances

The fund balances of the Casino Control Fund consist of:

a.) *Reserved for encumbrances*—used to segregate a portion of fund balance to provide for expenditure upon vendor performance of purchase agreements.

b.) *Unreserved-Undesignated*—used to represent that portion of fund balance resources available for appropriation.

E. Other

Other significant accounting policies are described in Notes 2 to 8.

NOTE 2—**Cash/Due From General Fund**

Cash transactions of the Casino Control Fund are made through and by the General Fund cash accounts. The balance of cash for this fund held in the General Fund after receipt and disbursement transactions is accounted for and reflected in the respective Due From or Due To accounts on the Balance Sheet.

NOTE 3—**Accounts Receivable**

Represent amounts which were collected within the one-month period subsequent to June 30, and outstanding billings applicable to June 30, 1985 and 1984. Approximately 85% and 75% of the outstanding billings were satisfied within a three-month period subsequent to June 30, 1985 and 1984, respectively.

NOTE 4—**Accounts Payable**

Represent amounts due for goods and services that were received by the State prior to fiscal year end.

NOTE 5—**Deferred Revenue**

Deferred revenue represents Fiscal Year 1985 slot machine license billings received and recorded in Fiscal Year 1984.

NOTE 6—**Fund Balance**

The positive fund balance as of June 30, 1985 and 1984 resulted from revenues exceeding expenditures. Pursuant to N.J.A.C. 19:41-9.1(e) (effective November 18, 1985), the balance at June 30, 1985 as finally determined by the Commission, will be credited to casino licensees in proportion to the relative amount of total fees incurred or paid by each casino licensee with respect to the fiscal year ended June 30, 1985. The positive balance at June 30, 1984 was distributed to licensed casino facilities prior to December 31, 1984.

NOTE 7—**Employee Benefit Costs**

Fringe benefit costs which include pension, health benefits, payroll taxes, and amounts for unused sick leave are originally paid by the General Fund and are charged to the Casino Control Fund using a composite fringe benefit rate.

NOTE 8—**Interest**

The General Fund charges interest to the Casino Control Fund when disbursements exceed receipts collected and credits interest to the Casino Control Fund when receipts collected exceed disbursements made. The interest rate used during Fiscal Year 1985 was equal to the effective rate of return on investments in the General Fund and varied from 8.62% to 10.94%. During Fiscal Year 1984, the interest rate used was equal to the month-end New York Federal Reserve Discount Rate charged to banks and varied from 8.5% to 9.0%. The net effect of these transactions is reflected in the respective Transfers from or Transfers to accounts on the Statement of Revenues, Expenditures, and Changes in Fund Balance.

NOTE 9—**Contingent Liability**

The Casino Control Fund is involved in a number of legal actions wherein there is potential for unanticipated expenditure. The exact amount involved in these legal proceedings is not fully determinable. N.J.A.C. 19:41-9.1 allows the Casino Control Fund to apportion any uncollected cost among the licensed casino facilities.

AUDITOR'S REPORT ON SUPPLEMENTAL DATA

We have reported separately herein on the financial statements of the Casino Control Fund for the Fiscal Years ended June 30, 1985 and 1984. Our examination was made for the purpose of forming an opinion on these basic financial statements taken as a whole. The Expenditure Detail Schedule that follows is presented for the purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the same auditing procedures applied in the examination of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

State of New Jersey
Casino Control Fund
Expenditure Detail
Fiscal Years Ended June 30, 1985 and 1984

Schedule I
(in $000)

	1985		1984	
	Public Safety and Criminal Justice	Government Direction Management and Control	Public Safety and Criminal Justice	Government Direction Management and Control
Expenditures:				
Salaries	$13,714.9	$10,939.4	$11,665.6	$ 9,455.7
Payroll Taxes and Employee Benefits	3,566.6	2,515.7	3,223.7	2,228.7
Printing and Office Supplies	287.5	267.3	289.0	265.5
Vehicular Supplies	403.8	.1	360.6	.1
Travel	45.1	69.5	31.6	82.6
Telephone	630.2	257.6	542.7	260.3
Data Processing	1,224.4	860.2	728.5	668.7
Professional Services	431.5	144.4	351.6	170.4
Other Services Other than Personal	682.3	463.1	405.2	317.3
Rent—Facilities	1,428.8	734.5	1,307.1	745.1
Rent—Automobiles and Other	166.8	148.6	484.2	220.4
Indirect Costs	913.9	159.5	558.6	—
Office Equipment	250.9	177.3	157.6	114.4
Vehicular Equipment	179.6	—	1,151.9	13.5
Other Equipment	345.9	197.6	336.3	108.5
Total Expenditures	$24,272.2	$16,934.8	$21,594.2	$14,651.2

COMMISSIONER VALERIE HANCE ARMSTRONG

A new Commissioner assumed her duties this year after Governor Thomas H. Kean named Valerie Hance Armstrong to fill the unexpired term of former Commissioner Don M. Thomas.

Commissioner Armstrong was named by the governor on February 4 following Thomas' resignation but did not begin serving on the Commission until March 29, 1985. She will serve until August 1989.

Her appointment coupled with the re-appointment of E. Kenneth Burdge later in the year brought the Commission to full strength.

The new Commissioner had been serving as an Administrative Law Judge at the time of her appointment.

Besides her background as a lawyer, Mrs. Armstrong also has a strong background in music. She studied music on a graduate level and was a violin teacher before entering law school.

She graduated from Temple University Law School and prior to that she attended the Temple University School of Music and the University of Virginia. She did undergraduate work at Beaver College, Glenside, PA.

Previous to accepting an appointment to the OAL, she was associated with the law firm of Subin, Armstrong & Armstrong in Northfield, New Jersey. Her husband is also an attorney.

The Commissioner has been active in civic affairs in Brigantine where she served as a member of the Planning and local Assistance Boards, and also as city solicitor. She has been active in Bar Association functions and also with the United Way of Atlantic County.

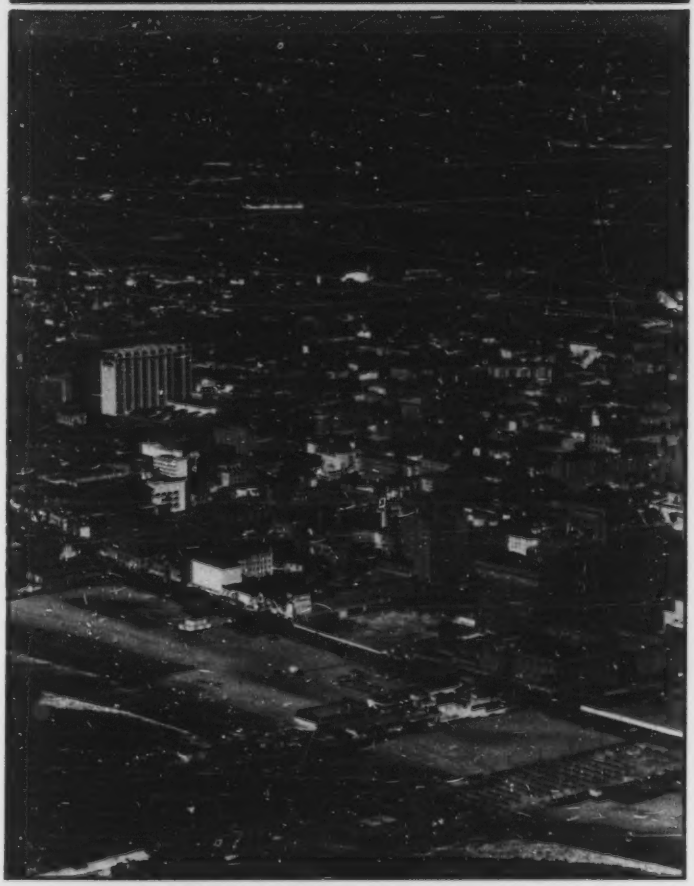

Table of Organization

COMMISSION STAFF
(Seated, from left) Deborah Bozarth, Legislative Relations Representative; Inez Killian, Affirmative Action Officer; and Thomas P. Flynn, Public Information.

DIVISION OF FINANCIAL EVALUATION AND CONTROL
(Seated, from left) Teresa Gervasio, Accounting Unit; Director William H. Delaney and Deputy Director Deno Marino. (Standing, from left) David Mullane, Inspectors Unit; Patricia Maggio DiFlorio, Casino Operations; Glenn Simpson, Financial Unit; and Michael Wozniak, Auditing Unit. Deputy Director Michael A. Santaniello and Deputy Director Jeffrey Cohen were not present when the photo was taken.

AFFIRMATIVE ACTION AND PLANNING DIVISION
(Seated, from left) Barbara P. Lampen, Planning Unit and Director Jack E. Wood. (Standing) Marvin Askins, Construction and Industry Unit. Claire Frank, Casino Operations Unit, was absent when the picture was taken.

COMMISSION

LEGAL DIVISION

(Seated, from left) Deputy Director Thomas Auriemma and Director Robert Genatt. (Standing, from left) David Missimer, Legislation and Regulation Section; Patricia Kerins, Legal Advisory Unit; John Zimmerman, Special Projects Unit; Dennis Daly, Hearings and Litigation Unit; and E. Dennis Kell, License Advisory Section.

LICENSE DIVISION

(Seated, from left) Deputy Director Richard P. Franz and Director Christopher D. Storcella. (Standing, from left) Stephen H. Crist, Document Control Unit; John I. Bowman, Employee Licensing; and William J. Hoffman, Enterprise Licensing.

ADMINISTRATION DIVISION

(Seated, from left) Deputy Director James Fiandaca and Director Theron (Terry) Schmidt. (Standing, from left) David Hopkins, Personnel; Joseph Papp, Budget and Fiscal Office; and Julian Grauer, Data Processing.